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Managing the energy business in the 21st century

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ExxonMobil's top man in Asia Pacific gets to grips with shale oil, being environmentally responsible, and a changing workforce

When shale oil became all the rage in the energy business earlier this decade, one of industry's biggest names, Exxon Mobil, faced what it describes as its 'iPod moment'.

"Apple had to make a decision when it developed the iPhone: if it gave the iPhone the ability to store music, it would kill the iPod," explains **Gan Seow Kee**, Chairman and Managing Director of ExxonMobil Asia Pacific Pte Ltd. "They went ahead and did it because they felt that if they didn't, somebody else would and that would be the end of the business. We had the same moment when we saw shale technology come in, and we realised we were not the best at it."

Exxon Mobil's response was the US\$36 billion purchase of XTO Energy, a shale oil company in Texas. Gan explains:

"Several other big boys did it too and that led to a boom in the supply of oil and gas and suddenly the U.S. went from a massive oil importer to an oil exporter, and the world is now awash with oil; oil prices collapsed."

"What do we do now? It's amazing how the oil industry has learnt to live with lower oil prices. When oil prices fell from over US\$100 to about US\$50, it felt like the end of the world. Industry folks thought this might be the end of the oil industry as we knew it."

A year or two later, we've all learnt how to make money at US\$50 per barrel, but that has exacerbated the oversupply problem. Those who went out of business when oil prices collapsed have now learnt how to operate at US\$50 per barrel. If oil prices go back up to US\$60 or US\$70 per barrel, they will all come back on stream."

A CHANGING ENVIRONMENT

Gan made those remarks at a recent SMU Wee Kim Wee CEO Talk, “*Managing the Energy and Petrochemical Business in an Age of Sustainability and Change*”. With fracking – the process by which shale oil is extracted – often being criticised as being environmentally harmful, Gan was asked by the audience how Exxon Mobil handles its public relations.

“It used to be we do what was right, but we don’t say anything about it,” Gan says. “These days, we feel that if we don’t say anything, people will create a narrative for you. We’re not doing things just for the show of it. We’ll continue to do the right thing but we are prepared to be out there and talk about it,” he says, pointing to the [various environmental initiatives](#) that the company lists on its website.

Gan was also asked about the International Marine Organization’s (IMO) setting a “global limit for sulphur in fuel oil used on board ships of 0.50 percent m/m (mass by mass) from 1 January 2020”, down from the current 3.50 percent limit.

“Come January 1, 2020, I don’t think that all ships will magically use 0.5 percent sulphur fuel,” Gan muses, stating that this was his personal opinion and not that of his employers. “One of the challenges is that it’s taken the IMO quite long to come up with the date to implement this. That’s because a very long lead time is needed for refineries and ships to convert their equipment.

“Now that the IMO has announced the date, it is actually technically too late for refineries to do anything to meet the 2020 deadline. On the shipping side, the issues is compounded by the fact that shipowners are not sure whether or not the world is serious about 0.5 percent sulphur fuel. If they were to invest in all this, and come 2020 regulatory bodies start giving exemptions to some ships to use the old fuel, they’d have invested in nothing.

“The state of the shipping industry now is not ideal – it’s not as if they have a lot of money to spend. As such, the shipping industry is not in a hurry to meet the IMO requirement.”

FUTURE MANAGEMENT

In over 35 years at ExxonMobil – “I do job hop, but it’s done within the company” – the industry veteran has done no less than 16 different jobs. Now that he sits atop the Asia Pacific office with over 3,000 employees under his charge, what’s his view on running a corporation in the 21st century?

“From a business-related challenge standpoint, what I and most of the company’s management try to do is take a disciplined approach in understanding and analyzing the issues. We can’t do it to the *nth* degree, so in the end we take a calculated risk and make a move.

“These days, we may not make an absolutely correct decision but we have to move fast instead of having a perfect answer. The time cycles are getting shorter. Where I am now, a lot of issues I am addressing are done through the leaders and technical people that I have.”

He adds: “Broadly speaking, you have to paint the bigger picture if you want people to do what is best. Increasingly, and this is at all levels, you’re not going to go very far if you tell people, ‘Hey, I want you to do A, B, C, D.’ It doesn’t work in today’s workforce.

“You need to be able to articulate the overall vision: ‘Here’s what we’re trying achieve, here’s why we should do it, here’s where you can contribute etc.’”

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